



RECENT AND ONGOING ACTIVITIES OF OECD RELATED TO THE WORK OF THE WTO COMMITTEE ON TECHNICAL BARRIERS TO TRADE

The following communication, dated 11 June 2015, is being circulated at the request of the OECD (Organization for Economic Co-operation and Development).

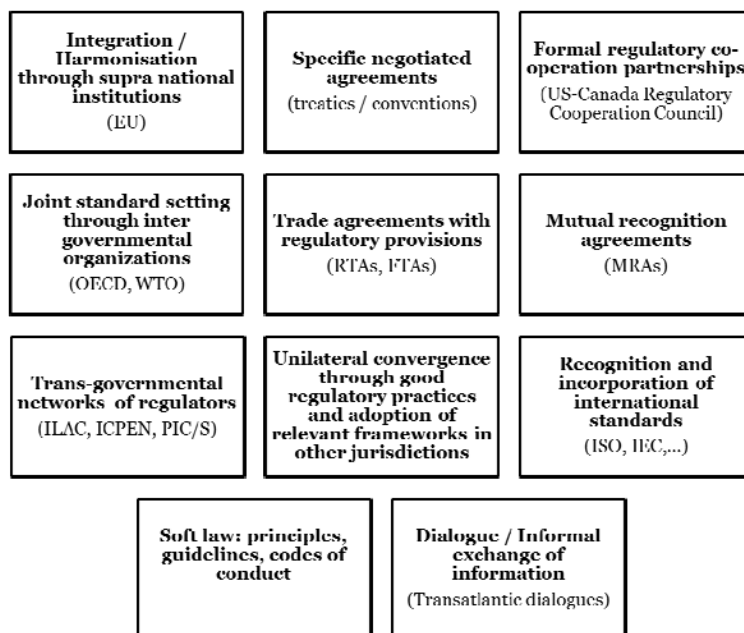
1 RECENT ANALYTICAL WORK IN OECD

1.1 IRC work of the Regulatory Policy Committee

1.1. OECD countries have acknowledged the importance and contribution of international regulatory co-operation (IRC) to regulatory quality. The 2012 OECD Recommendation of the Council on Regulatory Policy and Governance (see Principle 12) <http://www.oecd.org/gov/regulatory-policy/2012-recommendation.htm>) invites governments, "In developing regulatory measures, give consideration to all relevant international standards and frameworks for co-operation in the same field and, where appropriate, their likely effects on parties outside the jurisdiction".

1.2. However, the Recommendation and further work by the OECD also recognise that formalised governance arrangements for international regulatory co-operation, and their practical consequences, are not well understood. Consequently, the Regulatory Policy Committee (RPC) is collecting evidence on the practices of regulators and their oversight bodies to implement international regulatory co-operation and is working towards the development of a toolkit of IRC mechanisms.

1.3. The strategic aim of this work is to support countries' understanding of the benefits and costs of the 11 IRC mechanisms identified in OECD (2013), International Regulatory Co-operation, Addressing Global Challenges (http://www.oecd-ilibrary.org/governance/international-regulatory-co-operation_9789264200463-en) and illustrated in the Figure below. To this effect, the RPC is developing work-streams and studies on mutual recognition agreements, the role of international organisations and the role of good regulatory practices.

Figure: The typology of IRC mechanisms

Source: OECD (2013), International Regulatory Co-operation, Addressing Global Challenges (http://www.oecd-ilibrary.org/governance/international-regulatory-co-operation_9789264200463-en)

1.2 IRC work of the Committees on Trade and Agriculture

1.4. The Trade and Agriculture Committees identified international regulatory cooperation (IRC) as an area of interest and work in their respective Programmes of Work for 2015-16. The objective is to enhance the understanding of IRC as a mechanism to reduce or avoid unnecessary barriers to trade, foster least-trade-restrictive regulations and increase trade opportunities.

1.5. This work addresses the question of how countries can go about identifying collaboration mechanisms that will reduce trade costs while enhancing the welfare of participating countries. Given the wide spectrum of trade-facilitating IRC mechanisms, ranging from simple exchange of information to harmonisation of regulation, how can policymakers determine which mechanism they should aim for?

1.6. The goal is to develop a practical tool with which policymakers can diagnose situations of regulatory divergence and identify the most appropriate IRC mechanisms. This tool would take the form of a step-by-step assessment of various factors, including the types and magnitudes of trade costs associated with regulatory divergence and the objectives of the regulation. The assessment process should be applicable to both new regulations and existing regulations.

1.7. Work on this tool will draw on economic theory and lessons from actual experiences with IRC. The research will comprise of:

- a. Development of a theoretical framework of IRC founded in welfare economics and game theory capable of determining, for different situations of regulatory divergence, the type of cooperation engagement that generate optimal outcomes, i.e., the largest net gain for society. The framework will take into account the tension between the effects of a regulation on domestic welfare and trade costs.
- b. Study of selected actual IRC examples where governments have engaged in mechanisms to minimize or manage regulatory diversity and where reduction of trade costs has been a major incentive for co-operation. The IRC cases will come from the wine, automobiles, organic food and energy efficient appliances sectors. In each of the cases *the process* of co-operation will be examined, namely in terms of *how* and *why* the collaborating countries selected a specific IRC mechanism and *how* they went about implementing it.

Data permitting, these case studies will be complemented by an estimation of the actual impact the specific IRC mechanism has had on trade costs or trade flows.

1.8. This work is being carried out in collaboration with the OECD Regulatory Policy Committee and will be completed by the end of 2016.

2 RELEVANT MEETINGS AND WORKSHOPS

2.1 Joint RPC/TC Workshop on Trade and International Regulatory Co-operation (11 February 2014)

2.1. In February 2014, the OECD held a workshop that brought together trade and regulatory policy communities to discuss the opportunities and challenges to achieving effective international regulatory cooperation in the context of trade agreements, based on concrete country examples. The discussions aimed to identify the evidence on trade barriers related to regulatory heterogeneity and their impact; as well as the solutions given in different country and sector contexts. The workshop conclusions highlighted that over the long run, a more systematic and rigorous assessment of economic costs and benefits of alternative regulatory co-operation mechanisms, including from a trade perspective, is clearly desirable and should be part of evidence-based and transparent decision making. See <http://www.oecd.org/tad/ntm/workshop-trade-international-regulatory-cooperation-february-2014.htm>.

2.2 International Business Dialogue on Better Regulation to Enhance Trade (14 April 2014)

2.2. In April 2014, OECD together with the Business and Industry Advisory Committee organized an International Business Dialogue. The objective was to collect input from the business community on today's major regulatory impediments to trade, to identify the most important areas to improve international regulatory cooperation and to solicit input to the development of the work agenda of the OECD in this area. The meeting was attended by representatives from OECD member and partner countries and trade and governance officials. The consultation highlighted how regulatory activities as well as differences in regulations across markets can create significant burdens for businesses. The effectiveness of some tools of regulatory cooperation, such as mutual recognition agreements, was also questioned. For more information, including a summary report and results from an informal on-line survey asking companies to identify today's major regulatory impediments to trade, see <http://www.oecd.org/tad/tradedev/international-business-dialogue-2014.htm>.

2.3 Workshop on Trade Facilitating Effects of IRC in Food and Agriculture (21 November 2014)

2.3. In November 2014, OECD held a Workshop assessing the actual trade implications of increased international regulatory cooperation in food and agriculture. The Workshop brought together private-sector representatives engaged in food-trade, including importing and exporting companies, and trade-related international organizations. The discussion underscored the importance of simplification of border inspection services from an information flow perspective and in terms of risk-based inspection and control. Participants also acknowledged the role of private companies and industry associations in RTA negotiations and in regulatory design, as well as in RTA dialogue mechanisms. For more information see <http://www.oecd.org/tad/events/seminar-trade-facilitating-effects-international-regulatory-cooperation-food-agriculture.htm>.

2.4. For more information, please visit: <http://www.oecd.org/gov/regulatory-policy> and <http://www.oecd.org/tad/ntm/facilitating-trade-through-regulatory-cooperation.htm>

2.5. Contacts: Céline Kauffmann, Deputy Head, OECD Regulatory Policy Division: celine.kauffmann@oecd.org and Barbara Fliess, Senior Trade Policy Analyst, OECD Trade and Agriculture Directorate: barbara.fliess@oecd.org.
